

**Comprehensive
Annual Financial
Report**

of the

**City of
Fort Lauderdale, Florida**



**Fiscal Year Ended
September 30, 2001**

**Prepared by
The Finance Department**

CITY OF FORT LAUDERDALE, FLORIDA

COMMISSION – MANAGER FORM OF GOVERNMENT

CITY COMMISSION

Mayor Jim Naugle
Vice-Mayor/Commissioner Gloria F. Katz, District I
Commissioner Tim Smith, District II
Commissioner Carlton B. Moore, District III
Commissioner Cindi Hutchinson, District IV

CITY MANAGER
Floyd T. Johnson

CITY ATTORNEY
Dennis E. Lyles

DIRECTOR OF FINANCE
Damon R. Adams, CPA, CGFO

CONTROLLER
Joanne Rizi

TREASURER
Clyde J. Cole, CGFO

INTERNAL AUDITOR
Allyson Love

January 5, 2002

Mayor Jim Naugle
Vice Mayor Gloria F. Katz
Commissioner Tim Smith
Commissioner Carlton B. Moore
Commissioner Cindi Hutchinson
City Manager, Floyd T. Johnson

**RE: CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT -
YEAR ENDED SEPTEMBER 30, 2001**

Dear Mayor, Commissioners and City Manager:

Presented for your consideration and review is the City's Comprehensive Annual Financial Report for the year ended September 30, 2001. This report was prepared by the City's Finance Department. Although the financial statements were audited by independent accountants as stated in their report on Page 1, the responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all disclosures, necessary to enable the reader to gain general understanding of the City's financial activity, have been included.

This Comprehensive Annual Financial Report is divided into three major sections:

1. **Introductory Section** - As the title indicates, this section introduces the reader to the report and includes the table of contents, this transmittal letter, the Certificate of Achievement awarded to the City by the Government Finance Officers Association and a City organization chart.
2. **Financial Section** - Five combined financial statements, one combining financial statement, together with the notes to the financial statements and required supplementary schedules, compose the General Purpose Financial Statements. These are the City's basic financial statements and provide an overview for users who require information about the City's finances. The remainder of the financial section presents combining statements, individual fund statements and schedules focusing on individual funds rather than fund types.
3. **Statistical Section** - While this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, cover more than two fiscal years, and are designed to reflect social and economic data, financial trends and the fiscal capacity of the City.

Originally chartered as a municipality under the laws of the State of Florida in 1911, the City provides general municipal services, such as police and fire protection, parks, recreation, public works and others. Certain enterprise activities including public parking, a municipal airport and the utilities of water, sewer, sanitation and stormwater are also provided. The charter was replaced by a special act of the Florida legislature in 1957 and was substantially revised in 1984.

THE FINANCIAL REPORTING ENTITY

This report includes all funds, account groups and component units of the City, in accordance with Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity". The Financial Reporting Entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Sunrise Key Safe Neighborhood Improvement District (SK) is included as a component unit along with the Fort Lauderdale Community Redevelopment Agency (CRA). These organizations have been included as component units, since the City is financially accountable for and is able to impose its will on them. The transactions and balances of the CRA are blended with those of the City (primary government), while the SK financial information is discretely presented in the combined financial statements.

The City of Fort Lauderdale, Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale are related organizations, but separate and distinct, and are not included since they do not meet the established criteria for reporting herein. Along with the Performing Arts Center Authority and the DDA, the City is a participant in a joint venture in the Arts and Science District Parking Garage with each party maintaining an ongoing financial interest.

ECONOMIC CONDITION AND OUTLOOK

Sustained strong regional economic conditions are evident from the continued growth in the City's assessed valuations. Taxable assessed value of property within the City grew by nearly \$1 billion for FY 2001. Values now available for FY 2002 indicate another phenomenal growth of over \$1.4 billion. The number of construction permits issued by the City for all properties (including tax-exempt) for FY 2001 was approximately the same as the previous year, as well as the value of the construction.

Recent economic indicators for the Fort Lauderdale/Hollywood Statistical Metropolitan Area provide insight into the local economy. The following are excerpts from statistics reported on a calendar year basis by Fishkind and Associates in their publication, "Econocast" 2002 – Annual:

| | <u>2000</u> | <u>2001</u> |
|-------------------------------|-------------|-------------|
| Population | 1,623,023 | 1,649,083 |
| Employment | 644,326 | 660,729 |
| Income (billion) | \$48.1 | \$50.7 |
| Unemployment Rate | 3.9 | 4.9 |
| Total Housing Starts | 10,393 | 11,167 |
| Commercial Construction (000) | \$1,552,242 | \$1,394,014 |

The work of the Community Redevelopment Agency is indicative of the progress made to revitalize our community. Some of the projects during the year are itemized below:

Central Beach Area:

- Developed and released a Request for Proposals for the lease and development of the Las Olas Municipal Parking Lot, and received authorization to negotiate a development agreement.
- Completed the construction and opened the parking lot dedicated to the Las Olas Municipal Marina.
- Approved entering into a contract for preparation of the Central Beach Master Streetscape Plan.
- Negotiated and entered into contract for preparation of detailed design and construction documents for the Fort Lauderdale Beach Transportation Improvement Project, and continued to negotiate a contract for the preparation of the planning, development and environmental feasibility study for the Fort Lauderdale Beach Transportation Remote Parking and Transit System Project.
- Initiated consulting services to study alternative footprint, site and funding options to replace the City's Aquatics Complex and Hall of Fame Museum to meet international competition swimming and diving standards.

Northwest-Progresso-Flagler Heights Area:

- Approved a \$45,000,000 CRA Strategic Finance Plan for this area.
- Entered into a development agreement to construct 50 single-family homes.
- Issuing an RFP for the Engineering and Design Team for Sistrunk Boulevard including the creation of Urban Design Guidelines and Zoning Amendments to accommodate redevelopment.
- Entered into a development agreement to construct a \$27 million mixed-use residential project in Flagler Heights.
- Entered into a development agreement with to construct Avenue Lofts a condominium/retail/office development.

MAJOR INITIATIVES

New Governmental Reporting Model – GASB Statement No. 34

GASB No. 34 establishes financial reporting standards for state and local governments and requires that basic financial statements and required supplementary information (“RSI”) for general purpose governments should consist of:

- *Management’s discussion and analysis* (“MD&A”). MD&A should introduce the basic financial statements and provide an analytical overview of the government’s financial activities. Although it is RSI, governments are required to present MD&A before the basic financial statements.
- *Basic financial statements*. The basic financial statements should include:

Government-wide financial statements, consisting of a statement of net assets and a statement of activities. Prepared using the economic resources measurement focus and the accrual basis of accounting, these statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Each statement should distinguish between the governmental and business-type activities of the government. Fiduciary activities, whose resources are not available to finance the government’s programs, should be excluded from the government-wide statements.

Fund financial statements consist of a series of statements that focus on information about the government’s major governmental and enterprise funds. *Governmental* fund financial statements (including financial data for the general fund, special revenue, capital projects, debt service, and permanent funds) should be prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Proprietary* fund financial statements (including financial data for enterprise and internal service funds) and *fiduciary* fund financial statements (including financial data for fiduciary funds and similar component units) should be prepared using the economic resources measurement focus and the accrual basis of accounting.

- *Required supplementary information* (RSI). In addition to MD&A, this Statement requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous FASB pronouncements. GASB No. 34 also requires RSI for governments that use the modified approach for reporting infrastructure assets.

Certain of the most significant effects of GASB No. 34 implementation include the reporting of capital assets, including infrastructure assets, in government-wide financial statements and reporting depreciation expense and revenues and expenses on an accrual basis in the statement of activities. In addition, the government-wide statement of activities is required to be presented in a format that reports expenses reduced by program revenues, resulting in a measurement of “net (expense) revenue” for each of the government’s functions.

The City must adopt GASB No. 34 in fiscal 2002. Prospective reporting of general infrastructure assets is required at that time. The City has the option to report retroactively all remaining infrastructure assets, but is required to do so by fiscal 2006.

Water and Sewer Master Plan

The Program entails the modernization of the City of Fort Lauderdale water and wastewater infrastructure through the investment of \$555 million in capital improvements to be completed over a period of 10 to 20 years. This includes construction of new sewers for approximately 40% of the City, which is not sewered. Although the utility system has no bonds outstanding as of the end of the fiscal year, the master plan calls for about \$400 million in water and sewer revenue bonds over the term. Three modest rate increases are strategically scheduled to provide the necessary revenue to service the debt. In terms of total dollars this may well be the most extensive initiative ever assumed by the City.

Five-Year Accelerated Capital Improvement Plan (CIP)

An ambitious five-year Capital Improvement Plan (CIP) was adopted by the City Commission subsequent to year-end. While most of the plan is similar to previous CIP's, this year's plan includes the accelerated (enhanced) recapitalization effort. This is an outgrowth of a May 1999 City Commission workshop, which reviewed the condition of the City's infrastructure and the anticipated economic consequences of dealing with the needed rehabilitation. During the past year the plan was further refined and developed in order to provide a more comprehensive and strategic approach to addressing the failing infrastructure of the City. The plan includes priority lists for projects to be initiated in the first two years.

CAP – Community Area Planning

In April 2001, the City Commission unanimously passed a resolution to pursue the fulfillment of 17 goals generated by the Central Area community through the City's Community Area Planning (CAP) process. The 17 goals include increasing police presence; installing a new drainage system; improving sewers; adding new lighting and improving street lights; creating a pedestrian-oriented community; beautifying streets and sidewalks; among other community improvements. City staff is now formulating a strategic plan to maximize the resources already in place and secure the additional resources necessary to successfully put each goal into action. At the same time, the second CAP initiative has begun in the City's South Area.

DEPARTMENTAL FOCUS – FIRE RESCUE

Mission: Reduce the level of risk to life, property, and the environment through emergency response, public education and the promotion of life-safety initiatives.

The Fire Rescue Department consists of Fire Administration, Operations Division, Fire Prevention Bureau and the Support Services Bureau. Following are some of the accomplishments of the Fire Rescue Department for the Fiscal Year 2001.

Fire Administration

- Initiated Nunn-Luger-Domenici "Weapons of Mass Destruction" (WMD) domestic preparedness program.

- Implemented weekly medical training for biannual re-certification.
- Initiated monthly quick drills for in-service training for all operations personnel.
- Instituted new county-wide TTP medical protocols.
- Instituted a CPR instructor program for department trainers.

Operations Division

- Reorganized unit staffing and management span of control in preparation for future annexation and to improve accountability for administrative responsibilities.
- Provided Hepatitis C base line testing to all current employees and developed the process to test future employment applicants to comply with existing State presumptive laws.
- Improved coordination with our Police Department for responses needing dive rescue, SWAT, and hazardous materials resources.
- Obtained and provided equipment and training to police and public services for awareness and response to hazardous materials and terrorist events.
- Commenced with Local Emergency Planning Committee (LEPC) risk assessments for proximities to hazardous material sites. Assistance is provided to principals for development of evacuation or isolation plans. This will continue into 2002 until all City schools are completed.

Fire Prevention Bureau

- Assisted in the implementation of the Florida fire code, which includes additional fire code amendments for Broward County.
- The Bureau netted \$1,148,311 in fire inspection fee and plan review revenue. This is slightly up from \$1,114,621 realized in FY1999-2000.
- Fire Inspection staff conducted 12,043 annual fire inspections and 8,486 reinspections in the City. Combined total of inspections made is 20,529 up from 16,964 inspections made in FY 1999-2000.
- Fire Investigators conducted 261 origin and cause investigations with 95% cause determination of the fires investigated.
- 300 public fire safety education programs were delivered in FY2000-2001 with a total audience of 27,500 reached. This is up from 26,560 in FY1999-2000.

Support Services Bureau

- Fire-Rescue Department assumed responsibility of fire dispatch hiring 15 full time telecommunicators. An additional Fire Lieutenant position was made to oversee the supervision and scheduling of dispatch personnel.
- Centralized medical supply procurement and storage.
- Maintained care, maintenance, and overall fleet management of 11 ALS transports and 12 ALS engines to ensure compliance with the State of Florida as advanced life provider units.

FUND STRUCTURE

The various fund types of the City have been classified into fund categories. These fund categories, along with their measurement focus, are explained as follows:

Governmental Funds (General, Special Revenue, Debt Service, Capital Projects)

These funds are used to account for the City's expendable financial resources and related current liabilities, except those accounted for in proprietary funds. Governmental funds are essentially accounting segregations for financial resources, and measurement focus is upon determination of financial position (sources, uses, and balances of resources) rather than upon net income determination. Basic financial statements necessary to fairly present financial position and operating results for these funds are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

Proprietary Funds (Enterprise, Internal Service)

These funds are used to account for the City's ongoing activities, which are similar to those found in the private sector. Financial activity is reported in essentially the same manner as in commercial accounting where net income and capital maintenance are measured. Measurement focus is upon determination of net income, financial position and changes in financial position. The basic financial statements required for these funds are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Retained Earnings, and the Statement of Cash Flows.

Fiduciary Funds (Trust and Agency)

These funds are used to account for assets held by the City in a trustee capacity. Nonexpendable and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature.

Account Groups

In addition to the various fund types, a fourth category of accounting entities, account groups, is used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The City's general fixed assets (all fixed assets except those accounted for in proprietary or trust funds) are financial resources not available for expenditure. The unmatured principal of the City's

general long-term debt (and other long-term liabilities not accounted for in proprietary funds) does not require use of financial resources during the current accounting period. Accordingly, these are not accounted for in the governmental funds, but in self-balancing account groups.

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City proprietary funds are maintained on the accrual basis. Although the legal level of control (the point at which expenditures and encumbrances cannot legally exceed appropriations) is by department, budgetary control is maintained at the division level through the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders, which result in an overrun of balances, are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balances on September 30, 2001.

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss for unauthorized use or disposition; and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- The cost of a control should not exceed the benefits likely to be derived; and
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's Internal Audit Division reviews and appraises the soundness, adequacy and application of accounting, financial and administrative controls in the City's accounting system. Financial transactions and related data are examined for accuracy, completeness and authorization. Data processing applications and systems are addressed by the internal auditors at appropriate times to assess the adequacy and accuracy of controls. Also, computerized applications are reviewed to determine that they have been developed according to the policies, procedures, standards and guidelines of the City.

General Government Operations

The following discussion of general governmental functions includes information from the General Fund.

Revenues totaled \$176,990,220 in 2000/2001, an increase of 7.8% over the previous fiscal year. General property taxes remain the City's largest single source of revenue for the General Fund, representing 38.8% of revenue compared to 38.7% for the previous year.

The amount of revenue from various sources and the variance from last year are shown in the following table:

| <u>Revenue Source</u> | <u>Amount (Thousands)</u> | <u>Percent of Total</u> | <u>Increase (Decrease) Over 1999-00</u> |
|-----------------------|-------------------------------|-----------------------------|---|
| Property taxes | \$ 68,720 | 38.83% | \$ 5,128 |
| Utility taxes | 27,920 | 15.78 | 514 |
| Franchise taxes | 14,239 | 8.04 | 2,144 |
| Licenses and permits | 8,246 | 4.66 | 13 |
| Fines and forfeitures | 2,171 | 1.23 | 295 |
| Intergovernmental | 15,119 | 8.54 | (194) |
| Charges for services | 16,271 | 9.19 | 3,618 |
| Other | <u>24,304</u> | <u>13.73</u> | <u>1,310</u> |
| | <u>\$ 176,990</u> | <u>100.00%</u> | <u>\$ 12,828</u> |

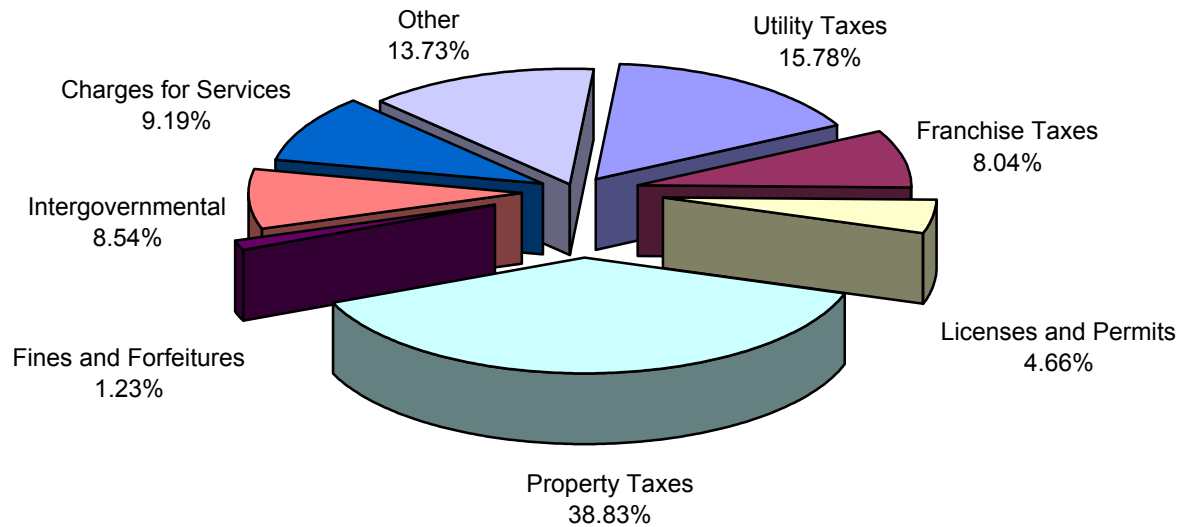
Relationships among revenue sources can best be grasped by reviewing the graphic illustration on page x.

The City's \$13.0 billion assessed value after exemptions represented an increase of 8.5% from the previous year. Although there is heavy reliance on property taxes to fund General Fund operations, the City's conservative policy regarding the property tax is to keep increases to a minimum. The operating millage rate increased only slightly from 4.9574 mills the previous year to 5.0415 for 2000/2001.

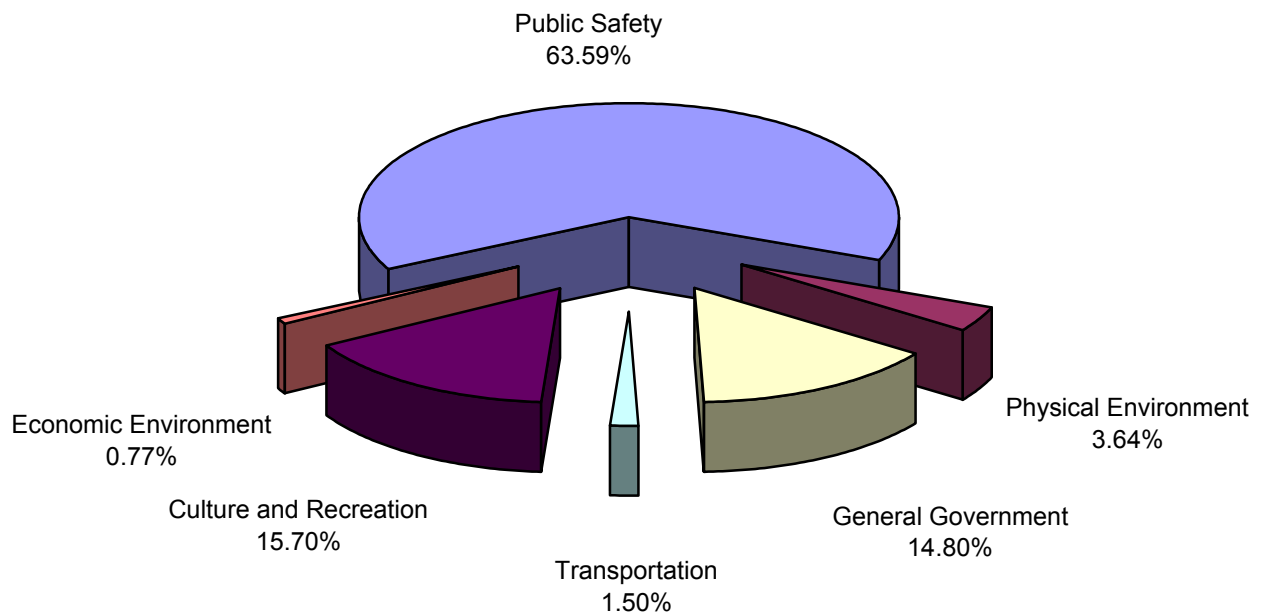
Franchise taxes, (and to a lesser degree utility taxes) showed gains in the year. The major contributor in both categories is from electricity consumption. Continued increases reflect the growth in the tax base among new and expanded businesses. "Charges for services" is another category that saw marked improvement from the prior year. EMS transport fees were higher reflecting a full year of operation. Fees from dockage were also a factor in this revenue enhancement. In the "Other" category interest from investment earnings was up from the previous year.

General Fund Expenditures totaled \$158,238,328, an increase of 4.9% from fiscal year 1999/2000. Changes in levels of expenditure for major functions of the City are presented in the following tabulation:

GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES



| <u>Functions</u> | <u>Amount</u> <u>(Thousands)</u> | <u>Percent</u> <u>of Total</u> | <u>Increase</u> <u>(Decrease)</u> <u>Over 1999-00</u> |
|------------------------|-------------------------------------|-----------------------------------|---|
| General government | \$ 23,420 | 14.80% | \$ 2,281 |
| Public safety | 100,624 | 63.59 | 3,131 |
| Physical environment | 5,766 | 3.64 | 351 |
| Transportation | 2,366 | 1.50 | 263 |
| Economic environment | 1,220 | 0.77 | 137 |
| Culture and recreation | <u>24,842</u> | <u>15.70</u> | <u>1,181</u> |
| | <u>\$158,238</u> | <u>100.00%</u> | <u>\$ 7,344</u> |

The function classification indicates the major purpose for which resources have been expended. Brief definitions of the functions are provided as follows:

General Government - Legislative, executive and staff support. Activities include City Commission, City Manager, City Attorney, City Clerk, Administrative Services, Finance, Planning and General Maintenance.

Public Safety - Protection of people and property. Police, Fire, and Protective Inspection services compose this function.

Physical Environment - Primarily engineering services for the creation and recapitalization of public infrastructure.

Transportation - Major maintenance costs for roadways, walkways, runways and waterways.

Economic Environment - The cost of providing services which develop and improve the economic condition of the community and its citizens.

Culture and Recreation - Recreation and cultural activities including parks, auditoriums, museums, theaters, stadiums and events relating thereto.

Distribution of expenditures to the various functions of government did not change materially from the previous year. Emphasis on public safety is evident expending 64% of the General Fund allocation. Some police expenditures shifted from grants to the general fund when the funding for certain positions expired. Progress made on the parks bond program is mildly affecting the General Fund expenditures as operating expenditures are necessary to assure that the new facilities are properly operated and maintained. Further challenges lie ahead as the affects of the September 11, 2001 tragedy continue to place demands on general City resources.

The graph on page x shows the percentage share of General Fund expenditures by function, further illustrating resource allocation.

The total Unreserved General Fund balance at the end of the year was \$9,007,178, of which \$5,659,855 was designated for subsequent years' expenditures.

Enterprise Operations

Enterprise funds are used:

- (a) to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily by user charges; or
- (b) where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The following five activities have been determined by the City as meeting the previous criteria and are included in this report as enterprise funds. Comparative data are as follows:

| | <u>Operating Revenues</u> (Thousands) | | <u>Net Income (Loss)</u> (Thousands) | |
|-----------------|--|-------------|---|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Water and Sewer | \$ 58,701 | 60,886 | 11,871 | 16,421 |
| Sanitation | 17,961 | 17,592 | 1,846 | (2,894) |
| Parking System | 7,511 | 7,210 | 1,682 | (111) |
| Airport | 4,482 | 4,075 | 1,062 | 1,166 |
| Stormwater | 2,944 | 2,901 | 978 | 922 |

Financial highlights of these funds appear below:

Water and Sewer Fund

Success of the City's effort to persuade residents to conserve water use during the period of water restrictions accounts for the reduction in the operating revenues. No adjustment in rates was made to compensate for expected loss of revenue. However, reserves in the water and sewer fund were quite sufficient to cover this temporary downturn. This reduction, combined with a normal growth in expenses, results in the reduction in net income. Mandatory water restrictions are not expected in the coming year. Implementation of the water and sewer master plan mentioned under the "Major Initiatives" section of this letter will begin in fiscal year 2001/02.

Sanitation Fund

Steady increases in operating revenue for the past couple of years have served to strengthen the financial viability of this operation. As reported last year, the loss from FY 2000 was a one-time occurrence necessitated by recording the present value of post-closure costs of the Wingate Landfill site as required by generally accepted accounting principles. Remediation of the site was underway at the end of the fiscal year.

Parking System Fund

Modest growth in operating revenues generated from this multifaceted operation helped to keep the system on strong financial footing. The operation expanded during the year with the opening of a parking facility at Bridgeside Square providing over 500 additional public parking spaces. Additional parking expansion is planned for the coming year in certain marine areas.

Airport Fund

A financially stable general aviation airport certainly plays a key role in the City's economic development effort. It offers facilities and amenities essential to business travelers. The airport is unique in the Southeast in that it provides a 24 hour FAA air traffic control tower, an instrument landing system, a 6,000 foot runway, aircraft rescue and firefighting services, U.S. Customs, 24-hour security and a police substation on its property.

Stormwater Fund

This fiscal year completes the stormwater operation's ninth year. Well grounded financially, the system generates a healthy annual net income. For the past several years the City has been using the reserves for their intended use of capital projects. Rates have not been adjusted upward since FY 1993/94 but a 5% increase is planned for the coming fiscal year.

Pension Operations

Two defined benefit plans are maintained for employee retirement, namely the General Employees Retirement System and the Police and Firefighters Retirement System.

City contributions to the plans for fiscal year 2000/2001 were as follows:

| | <u>Amount</u> |
|---|---------------|
| General Employees Retirement System | \$ 5,002,774 |
| Police and Firefighters Retirement System | \$ 4,444,207 |

In total, these contributions are approximately \$415,000 greater than in 1999/2000.

While the decline in investment value was very dramatic this year in both plans, the combined increases over the past several years significantly offset the decline of the current year. Fortunately, each plan uses a four-year asset smoothing formula, which helps avoid overly dramatic swings in the City's contribution due to investment results from a single year.

Debt Administration

Through a successful competitive process the City secured a master lease for financing equipment. Approximately \$900,000 in police vehicles were acquired under this agreement during the year. The City assisted in financing \$2.5 million of the assessable portion of the Bridgeside Square development using a unique Special Assessment Investment Loan financial instrument.

Useful indicators of the City's debt position are the ratio of net bonded debt to assessed valuation and amount of bonded debt per capita. This information for the City of Fort Lauderdale at the end of the 2001 fiscal year appears as follows:

| | <u>Amount</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|--|----------------------|---|---|
| Net direct ad valorem tax supported debt | \$ 50,205,623 | .31% | \$ 329.43 |
| Net direct excise tax supported debt | \$ <u>22,015,000</u> | <u>.14%</u> | \$ <u>144.46</u> |
| Total net direct bonded debt | \$ <u>72,220,623</u> | <u>.45%</u> | \$ <u>473.89</u> |

The preceding summary includes only non-self-supporting debt. The history of the debt service coverage of the self-supporting debt (enterprise fund debt) is excellent and is presented in the statistical section of this report. Required principal, interest and reserves on outstanding debt were provided for during the year. Bond ratings continued to reflect that the City's uninsured bonds have the characteristics of strong investment quality as follows:

| | <u>Standard & Poor's</u> | <u>Moody's Investor's Service</u> | <u>Fitch IBCA</u> |
|----------------------------------|------------------------------|---------------------------------------|-------------------|
| General Obligation Bonds | AA | Aa2 | |
| Excise Tax Improvement Bonds | A+ | A1 | |
| Water and Sewer Revenue Bonds | AA- | Aa2 | |
| Sanitation Revenue Bonds | | A1 | A+ |

Cash Management

Diverse operations of the various funds of the City dictate the necessity for a sophisticated cash management system to control and actively utilize cash as a financial resource.

Highlights of our various investment activities are presented as follows:

Bank Deposits – Interest on Checking

The accounts earned \$432,313 during the year. The amount of cash in this investment is structured to meet forecasted cash requirements. This account has fluctuated between \$231,400 and \$19,604,314, depending on cash needs for debt service, bond sales and incoming cash flows. The average balance in the operating account for the fiscal year was \$4,370,000.

State Investment Pool

The fiscal year rate of return for the Pool was 5.4% with an average investment duration of 31 days. This State operated pool is one of our main investment vehicles. Since it is able to spread its costs over such a large base, the administrative fees are kept to a minimum. Management of the program is considered excellent, investments are in high quality products with excellent safety, liquidity, yield and oversight by State officials.

Florida Municipal Investment Trust

As part of our thrust to diversify our investment program, in September 1996 we invested \$10 million in the Florida Municipal Investment Trust – a program run by the Florida League of Cities. We participate in the High Quality Bond fund. Over the past year, this fund has returned a very respectable 10.12%, compared to its benchmark, the 1 – 3 Year Merrill Lynch Government Index, which returned 10.56%. As of September 30th, the original investment has grown to \$13,939,772.

Independent Portfolio Management

In an effort to increase yield on our investments, we assigned the investment duties of a portion of our portfolio (\$50 million) to Public Financial Management (PFM) in October, 1999. PFM was given broad latitude to invest our funds but were limited to the restrictions of our investment policy. Quarterly management reports are provided reflecting results for the period. PFM returned \$4,948,498 for a total market yield of 10.04% for the year.

Treasury Bonds

As far as preservation of principal, one of the safest investment vehicles to the City is U.S. Treasury debt. As of September 30th, we had \$3 million in investments. Although these investments do not mature until 2010, we will continue to hold them since they are producing an 11.75% rate of return.

In summary, over the previous fiscal year, the entire investment portfolio of pooled funds described above returned \$13,769,542 on an average invested balance of \$198,910,002. This resulted in an overall rate of return on city investments of 6.85%. In addition to our pooled investments, our various trust funds earned \$1,797,804 on an average balance of \$33,221,400 for an effective rate of return of 5.4%.

Last year was an excellent year from an investment perspective given the framework and restrictions of our investment program (the need for capital preservation and security of our funds). The decision to allot the management of a portion of our funds to an outside money manager has increased our rate of return.

Risk Management

Nearly all insurance is administered through the City Insurance fund. A major portion of the insurance program involves self-insurance. The City is currently self-insured in the areas of workers' compensation, employee relations, general liability, automobile liability, and police professional liability. Premiums in excess of claims charged to the various operating funds over the years have been retained in the fund to provide for stability and protection against catastrophic losses as recommended by the City's

Insurance Advisory Board.

The Risk Management Division administers programs for employee safety, loss prevention, property, casualty, health, dental, life and other benefit programs.

Unfortunately it has not been a good year for the City Insurance Fund. In the self-insured health plan incurred claims outpaced set premiums and ended the year with a negative \$4.85 million deficit. Benefit and medical network changes will be used to reverse this trend. It is expected that the amount of the deficit will be restored to the fund over a three to five year period. Other self-insured areas were also stressed resulting in an overall fund deficit of \$5.3 million. Due to the City's conservative goal of fully funding all outstanding claims there was \$12.9 million in cash and cash equivalents in the fund at the end of the year.

Intergovernmental Revenue

A considerable source of funds is provided to the City from various federal, state and county agencies.

The sources of intergovernmental revenue received by the City during the year are summarized by fund type as follows:

| | Fund Type | | | | |
|-----------------------|---------------------|----------------------------|-----------------------------|-------------------|-------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Enterprise</u> | <u>Total</u> |
| Federal Government \$ | 0 | 9,761,692 | 0 | 1,404,903 | 11,166,595 |
| State of Florida | 12,878,994 | 1,491,529 | 240,982 | 349,920 | 14,961,425 |
| Broward County | 2,108,617 | 1,595,652 | 944,620 | 28,936 | 4,677,825 |
| Other Local Units | <u>131,473</u> | <u>742,993</u> | <u>345,890</u> | <u>0</u> | <u>1,220,356</u> |
| | <u>\$15,119,084</u> | <u>13,591,866</u> | <u>1,531,492</u> | <u>1,783,759</u> | <u>32,026,201</u> |

OTHER INFORMATION

Independent Audit

As required by Section 10.02 of the City Charter, an examination of the books of account, financial records and transactions of all administrative departments of the City has been conducted by a firm of Certified Public Accountants. The report of Arthur Andersen, LLP Certified Public Accountants (Page 1 of this report) contains their opinion as to the fair presentation of the City's financial statements. Sharpton Brunson & Company, P.A. participated with Arthur Andersen in the independent audit.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Lauderdale, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2000. This was the twenty-second consecutive year that the City received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual budget prepared for the fiscal year covered by this Comprehensive Annual Financial Report. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. We are pleased that this is the thirteenth consecutive year that we have received this distinction.

Acknowledgments

A quality comprehensive financial report such as the one being transmitted with this letter requires a committed and dedicated staff. The preparation of the report directed by Controller, Joanne Rizi, represents many hours of extraordinary effort on the part of many. The accountants of the Central Accounting and Treasury divisions, together with other staff support, produced an excellent document telling the financial story of the City as of and for the year ended September 30, 2001. The cooperation of the independent auditors is graciously acknowledged. Sincere appreciation is expressed to everyone for their tireless efforts.

Respectfully submitted,

Damon R. Adams, C.P.A.
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Lauderdale,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Thomas A. Brewer
President

Jeffrey L. Esser
Executive Director

THE PEOPLE OF FORT LAUDERDALE

